

ELUNDINI LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2017**

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

General Information

Nature of Business and Principal Activities

Elundini Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996).

Legal Form of Entity

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

Executive Committee

Mayor

NR Yelani-Lengs

Councillor

MPS Letebe

Portfolio head: Corporate Services

Councillor

ML Naketsana

Portfolio head: Community Services

Councillor

AM Mqamelo

Portfolio head: Financial Services

Councillor

TV May

Portfolio head: Technical Services

Councillor

N Nkalitshana

Portfolio head: Strategic Planning and Economic Development

Speaker

VV Hokwana

Chief Finance Officer (CFO)

J Mdeni

Accounting Officer

K Gashi

Registered Office

No 1 Sellar Street

Maclear

5480

Bankers

First National Bank, Maclear

Standard Bank, Maclear

Municipal Grading

Grade 3

Auditors

Office of the Auditor General - South Africa

Registered Auditors

Attorneys

McFarlane & Associates

Venns Attorneys

Mgxaji Attorneys

Jolwana Mgidlana Incorporated

Wikus van Rensburg

Van der Walt Attorneys

Fikile Ntayiya & Associates

Other Directors

Director: Corporate Services

S Matubatuba

Director: Infrastructure Planning and Development

XW Mntonintshi

Director: Planning and Economic Development

NC Eddie

Director: Community Services

L Kokose

Section 79 Chairpersons

Members Interest and Ethics Committee

LC Booka

Municipal Public Accounts Committee

M Marubelela

Rules Committee

VV Hokwana

Budget Steering Committee

NR Lengs

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

General Information

Audit Committee

Chairperson (from 18 January 2017)

Chairperson (up to 26 August 2016)

Member (from 18 January 2017)

Member

Member

Mr T de Beer

Adv G Richards

Mr P Songo

Ms F Hluyo Mushohwe

Mr A Mlambo

Councillors of the Elundini Local Municipality

Ward 1 - F W Ngayeka

Ward 2 - T J Pikinini

Ward 3 - Z Mampintsha

Ward 4 - K A Mgijima

Ward 5 - S J T Magadla

Ward 6 - S Mdoda

Ward 7 - G Sotsu

Ward 8 - D J Mbombo

Ward 9 - M Marubelela

Ward 10 - T Moleboheng

Ward 11 - L Lubanga

Ward 12 - R D Rashoalane

Ward 13 - L S Ndumndum

Ward 14 - N G Ntaopane

Ward 15 - L C Booka

Ward 16 - Z L Thwethiso

Ward 17 - V Ntuthu

Proportional - M Tsoananyana

Proportional - K P Mahleleba

Proportional - L Pili

Proportional - B Msuthwana

Proportional - G Moni

Proportional - L B Magqashela

Proportional - M N Ndumbini

Proportional - N L Motema

Proportional - N N Ndabangaye

Proportional - X P Majikijela

Proportional - NR Yelani-Lengs

Proportional - VV Hokwana

Proportional - MPS Letebe

Proportional - ML Naketsana

Proportional - AM Mqamelo

Proportional - TV May

Proportional - N Nkalitshana

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements for the year ended presented to the provincial legislature:

Index	Page
Approval of Annual Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Notes to the Annual Financial Statements For The Year Ended	10 - 71

The following supplementary information does not form part of the annual financial statements for the year ended and is unaudited:

Appendix A - Schedule of External Loans	72
Appendix B - Grants and Subsidies	73

Abbreviations

ASB	Accounting Standards Board
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
PAYE	Pay-as-you-earn tax
SALGA	African Local Government Association
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2017, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the annual determinations of the Minister of Cooperative Governance and Traditional Affairs in accordance with this Act.



K Gashi
Municipal Manager

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Assets			
Current Assets			
Inventory	2	262 597	364 795
Receivables from Exchange Transactions	3	2 781 846	3 544 138
Receivables from Non-Exchange Transactions	4	4 522 153	3 927 835
Taxes	5	6 689 576	3 265 237
Cash and Cash Equivalents	6	41 931 565	51 715 876
		56 187 737	62 817 881
Non-Current Assets			
Property, Plant and Equipment	7	367 469 908	339 065 672
Investment Property	8	34 689 626	34 969 098
Intangible Assets	9	7	226 642
		402 159 541	374 261 412
Total Assets		458 347 278	437 079 293
Liabilities			
Current Liabilities			
Current Portion of Deferred Revenue	10	185 377	159 403
Consumer Deposits	11	401 769	388 085
Employee Benefit Obligation	12	6 712 270	10 399 665
Payables from Exchange Transactions	13	26 291 650	23 524 114
Unspent Conditional Grants and Receipts	14	557 297	1 426 821
Finance Leases	15	181 892	148 507
		34 330 255	36 046 595
Non-Current Liabilities			
Employee Benefit Obligation	12	4 021 676	4 019 893
Finance Leases	15	162 782	344 674
Provisions	16	11 832 026	11 156 232
Deferred Revenue	10	171 900	357 277
		16 188 384	15 878 076
Total Liabilities		50 518 639	51 924 671
Net Assets		407 828 639	385 154 622
Accumulated Surplus		407 828 639	385 154 622

* See Note 42

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Notes	2017	2016 Restated*
Revenue			
Revenue from Exchange Transactions			
Service Charges	17	23 991 872	20 807 242
Plant Income	18	-	-
Rental of Facilities and Equipment	19	1 575 232	1 551 737
Interest Received - Investment	20	4 538 778	3 652 476
Interest Received - Outstanding Debtors	20	1 803 688	1 400 071
Licences and Permits	21	2 371 155	1 864 978
Other Income	22	790 566	922 943
Gain on Disposal of Non-Monetary Assets		-	150 000
Total Revenue from Exchange Transactions		35 071 291	30 349 447
Revenue from Non-Exchange Transactions			
Taxation revenue			
Property Rates	23	17 218 030	14 582 826
Transfer Revenue			
Government Grants & Subsidies	24	193 612 524	190 730 567
Other Revenue			
Actuarial Gains		-	338 443
Fines	25	410 698	940 831
Reversal of Impairment		16 936	28 094
Other Income	22	500 000	-
Total Revenue from Non-Exchange Transactions		211 758 188	206 620 761
Total Revenue		246 829 479	236 970 208
Expenditure			
Employee Related Costs	26	(70 628 543)	(70 802 984)
Remuneration of Councillors	27	(10 228 972)	(10 791 698)
Debt Impairment	28	(9 185 391)	(6 132 625)
Depreciation and Amortisation	29	(26 956 047)	(26 843 182)
Collection Costs		(1 130 951)	(1 105 620)
Stock Adjustments		-	(25 924)
Repairs and Maintenance	30	(9 263 782)	(5 168 375)
Finance Costs	31	(1 077 408)	(907 467)
Bulk Purchases	32	(21 294 712)	(19 064 933)
Contracted Services	33	(2 727 340)	(2 730 602)
Operating grant expenditure	34	(20 562 343)	(23 391 531)
General Expenses	35	(50 833 639)	(38 687 960)
Loss on Disposal of Non-Monetary Assets	36	(237 404)	(167 388)
Actuarial Losses	36	(28 930)	-
Total Expenditure		(224 155 462)	(205 820 289)
Surplus for the Year		22 674 017	31 149 919

* See Note 42

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 30 June 2015 Restated	354 004 703	354 004 703
Net Surplus for the year	31 149 919	31 149 919
Balance at 30 June 2016 Restated - Refer to note 42	385 154 622	385 154 622
Net Surplus for the Period	22 674 017	22 674 017
Balance at 30 June 2017	407 828 639	407 828 639

* See Note 42

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Notes	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Rates, Services and Other		33 985 323	36 062 754
Government		192 743 000	190 602 036
Interest Income		6 342 466	5 052 548
		<u>233 070 789</u>	<u>231 717 338</u>
Payments			
Suppliers and Employees		(187 405 864)	(172 855 132)
Finance Costs		(87 447)	(18 515)
		<u>(187 493 311)</u>	<u>(172 873 647)</u>
Net Cash Flows from Operating Activities	37	<u>45 577 478</u>	<u>58 843 691</u>
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	7	(55 666 841)	(41 220 929)
Proceeds from Sale of Property, Plant and Equipment	7	439 876	221 560
Proceeds from Sale of Investment Property	8	-	150 000
Net Cash Flows from Investing Activities		<u>(55 226 965)</u>	<u>(40 849 369)</u>
Cash Flows from Financing Activities			
Decrease in Long-Term Liabilities		(148 507)	(110 210)
Increase in Consumer Deposits		13 683	26 258
Net Cash Flows from Financing Activities		<u>(134 824)</u>	<u>(83 952)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		<u>(9 784 311)</u>	<u>17 910 370</u>
Cash and Cash Equivalents at the Beginning of the Year		51 715 876	33 805 506
Cash and Cash Equivalents at the End of the Year	6	<u>41 931 565</u>	<u>51 715 876</u>

* See Note 42

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Statement of Financial Position

Total Current Assets	81 367 587	19 144 759	100 512 346	56 187 737	(44 324 609)
Total Non-current Assets	354 505 825	19 651 962	374 157 787	402 159 541	28 001 754
Total Current Liabilities	(45 065 043)	8 024 801	(37 040 242)	(34 330 255)	2 709 987
Total Non-current Liabilities	-	(11 156 000)	(11 156 000)	(16 188 384)	(5 032 384)
Total Net Assets	390 808 369	35 665 522	426 473 891	407 828 639	(18 645 252)

Statement of Financial Performance

Revenue

Property rates	15 006 365	2 292 197	17 298 562	17 218 030	(80 532)
Service charges	22 283 333	1 512 238	23 795 571	23 991 872	196 301
Plant Income	13 000 000	(6 315 719)	6 684 281	-	(6 684 281)
Rental of Facilities and Equipment	1 379 413	30 601	1 410 014	1 575 232	165 218
Interest Received - Investment	1 442 733	57 267	1 500 000	4 538 778	3 038 778
Interest earned	1 413 682	371 318	1 785 000	1 803 688	18 688
Licences and Permits	1 690 571	582 221	2 272 792	2 371 155	98 363
Other Revenue	82 380 222	22 055 435	104 435 657	1 307 502	(103 128 155)
Fines	159 072	(16 214)	142 858	410 698	267 840
Agency Services	1 652 300	(1 652 300)	-	-	-
Transfers Recognised - Operational	148 329 000	6 164 000	154 493 000	152 226 384	(2 266 616)
Stock adjustments	-	153 052	153 052	-	(153 052)
Total Revenue	288 736 691	25 234 096	313 970 787	205 443 339	(108 527 448)

Expenditure

Employee Related Costs	(86 665 376)	6 632 168	(80 033 208)	(70 628 543)	9 404 665
Remuneration of Councillors	(11 410 902)	(2 463 585)	(13 874 487)	(10 228 972)	3 645 515
Debt Impairment	(10 331 115)	(9 670 000)	(20 001 115)	(9 185 391)	10 815 724
Depreciation and Amortisation	(45 736 026)	-	(45 736 026)	(26 956 047)	18 779 979
Finance Costs	(22 343)	(27 657)	(50 000)	(1 077 408)	(1 027 408)
Bulk Purchases	(23 673 924)	(365 678)	(24 039 602)	(21 294 712)	2 744 890
Repairs and Maintenance	-	-	-	(9 263 782)	(9 263 782)
Contracted Services	(2 541 000)	(55 000)	(2 596 000)	(2 727 340)	(131 340)
Other Expenses	(92 596 915)	(16 759 694)	(109 356 609)	(72 764 337)	36 592 272
Loss on disposal of PPE	-	-	-	(28 930)	(28 930)
Total expenditure	(272 977 601)	(22 709 446)	(295 687 047)	(224 155 462)	71 531 585
Transfers Recognised - Capital	37 250 000	5 000 000	42 250 000	41 386 140	(863 860)
Operating Surplus	53 009 090	7 524 650	60 533 740	22 674 017	(37 859 723)

Cash Flow Statement

Net Cash Flow from Operating Activities	92 050 745	(19 568 072)	72 482 673	45 577 478	(26 905 195)
Net Cash Flow from Investing Activities	(53 371 856)	(10 762 000)	(64 133 856)	(55 226 965)	8 906 891
Net Cash Flow from Financing Activities	-	-	-	(134 824)	(134 824)
Net increase / (decrease) in Cash and Cash Equivalents	38 678 889	(30 330 072)	8 348 817	(9 784 311)	(18 133 128)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1. Presentation of Annual Financial Statements For The Year Ended

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.1 Presentation currency

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.2 Going concern assumption

These financial statements have been prepared on a going concern basis.

1.3 Comparative figures

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

1.5 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.6 Budget information

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

Finance leases - lessee

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

Operating leases - lessor

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

Operating leases - lessee

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.8 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- (a) Unspent conditional grants are recognised as a liability when the grant is received.
- (a) When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- (a) The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- (a) Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.9 Unpaid conditional government grants and receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.10 Provisions and contingencies

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.10 Provisions and contingencies (continued)

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.11 Employee benefits

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

Post Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

Multi-employer defined benefit plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.11 Employee benefits (continued)

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.11 Employee benefits (continued)

Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- (b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.12 Property, Plant and Equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Depreciation and Impairment

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.12 Property, Plant and Equipment (continued)

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

Item	Depreciation method	Average useful life
Land and Buildings	Straight line	20 - 100
Infrastructure	Straight line	5 - 120
Leased Assets	Straight line	3 - 7
Other Property, Plant and Equipment	Straight line	3 - 15

Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.13 Intangible Assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.13 Intangible Assets (continued)

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

Amortisation and Impairment

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

Item	Useful life
Computer software, other	5 years

Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.14 Investment Property

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation and Impairment - Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

<u>Investment Property</u>	<u>Years</u>
Buildings	100 - 105

Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.14 Investment Property (continued)

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

De-recognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.15 Borrowing costs

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.16 Impairment of non-monetary assets

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.16 Impairment of non-monetary assets (continued)

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.17 Inventories

Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.17 Inventories (continued)

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.18 Financial instruments

Initial recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

Subsequent measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.18 Financial instruments (continued)

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.18 Financial instruments (continued)

Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not being reversed.

Derecognition

Financial assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19 Statutory receivables

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

De-recognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.20 Related parties

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.20 Related parties (continued)

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Contingent liability and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.25 Significant judgements and sources of estimation uncertainty

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement benefits

The cost of post-retirement medical obligations, long-service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.25 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.25 Significant judgements and sources of estimation uncertainty (continued)

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

Provisions

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- (a) Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- (a) Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.26 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.27 Capital commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.28 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.28 Events after reporting date (continued)

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (a) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements Accounting Policies

1.29 New standards, amendments to standards and interpretations issued but not yet effective

1.32.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018
GRAP 106 (2017)	Transfer of Functions Between Entities Not Under Common Control	1 April 2018

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt the following Interpretation of the Standard of GRAP which was issued but is not yet effective:

Standard	Description	Effective Date
iGRAP 18 (2017)	Recognition and Derecognition of Land	1 April 2019

When the above-mentioned Interpretation of the Standards of GRAP becomes effective, the effect will be insignificant as the Municipality's current treatment is already in line with the interpretation's requirements and will only result in additional disclosure.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

1.32.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.32.2.1 GRAP 18 - Segment Reporting (Original - February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (mSCOA). The estimated date of implementation is 1 July 2017.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.2 New standards, amendments to standards and interpretations issued but not yet effective (continued)

1.32.2.2 GRAP 20 - Related Party Disclosure (Original - June 2011)

The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Municipality resolved to develop an accounting policy as set out in note 1.23 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

1.32.2.3 GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.32.2.4 GRAP 34 - Separate Financial Statements (Original - March 2017)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

1.32.2.5 GRAP 35 - Consolidated Financial Statements (Original - March 2017)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

1.32.2.6 GRAP 36 - Investments in Associates and Joint Ventures (Original - March 2017)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

1.32.2.7 GRAP 37 - Joint Arrangements (Original - March 2017)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements

Accounting Policies

1.2 New standards, amendments to standards and interpretations issued but not yet effective (continued)

1.32.2.8 GRAP 38 - Disclosure of Interests in Other Entities (Original - March 2017)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.32.2.9 GRAP 108 - Statutory Receivables (Original - September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.19.

The impact of this Standard on the financial statements will be minimal.

1.32.2.10 GRAP 109 - Accounting by Principles and Agents (Original - July 2015)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.32.2.11 GRAP 110 - Living and Non-living Resources (Original - March 2017)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.32.2.12 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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2. Inventory

Consumable Stores	262 597	364 795
Total Inventory	262 597	364 795
Inventory recognised as an expense during the year	96 378	390 719
Consumable stores materials losses/(gains) identified during stock counts	-	25 924

No inventory assets were pledged as security for liabilities.

3. Receivables from Exchange Transactions

Gross balances

Electricity	6 657 194	5 059 796
Refuse	5 871 069	6 620 821
Other Receivables	2 907 198	5 466 824
House Rentals	2 159 203	2 108 826
Arrangements	155 089	758 667
Irrecoverable Debts	-	938 370
Sundry	592 906	1 660 961
Total	15 435 461	17 147 441

Less: Allowance for Impairment

Electricity	(5 011 507)	(3 885 801)
Refuse	(5 594 534)	(6 340 207)
Other Receivables	(2 047 574)	(3 377 295)
Total	(12 653 615)	(13 603 303)

Net Balance

Electricity	1 645 687	1 173 995
Refuse	276 535	280 614
Other Receivables	859 624	2 089 529
Total	2 781 846	3 544 138

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

Reconciliation of Allowance for Impairment

Balance at Beginning of Year	13 603 303	11 014 936
Contributions to Provision	5 717 838	2 838 578
Debt Impairment Written Off Against Provision	(6 667 526)	(250 211)
Total	12 653 615	13 603 303

Concentrations of credit risk with respect to Receivables from exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
3. Receivables from Exchange Transactions (continued)		
Ageing of Receivables from Exchange Transactions		
Electricity		
Current (0 -30 days)	987 320	738 790
31 - 60 days	535 609	331 284
61 - 90 days	394 646	208 843
91 - 120 days	337 523	192 524
121 - 150 days	195 473	156 530
> 150 days	4 206 623	3 431 825
Total	6 657 194	5 059 796
Refuse		
Current (0 -30 days)	293 110	273 965
31 - 60 days	100 657	208 866
61 - 90 days	86 760	189 813
91 - 120 days	67 120	180 896
121 - 150 days	69 870	176 018
> 150 days	5 253 552	5 591 263
Total	5 871 069	6 620 821
Other Receivables		
Current (0 -30 days)	117 001	111 486
31 - 60 days	58 193	84 422
61 - 90 days	52 371	78 720
91 - 120 days	49 357	68 558
121 - 150 days	57 230	66 252
> 150 days	2 573 046	5 057 386
Total	2 907 198	5 466 824

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
4. Receivables from Non-Exchange Transactions		
Gross balances		
Rates	16 464 559	17 414 820
Traffic Fines	1 729 670	1 409 370
Other Receivables	1 063 754	663 406
Under Banking of Cash	-	50 458
Deposit	581 480	581 480
Joe Gqabi District Municipality	456 572	-
Other Debtors	25 702	31 468
Total	19 257 983	19 487 596
Less: Allowance for Impairment		
Rates	(13 006 160)	(14 150 391)
Traffic Fines	(1 729 670)	(1 409 370)
Other Receivables	-	-
Total	(14 735 830)	(15 559 761)
Net Balance		
Rates	3 458 399	3 264 429
Traffic Fines	-	-
Other Receivables	1 063 754	663 406
Total	4 522 153	3 927 835

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Due to the prospective application of the revised IGRAP 1, the Municipality raised a receivable as well as an impairment charge on unpaid fines in the current year.

Concentrations of credit risk with respect to receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

Reconciliation of Allowance for Doubtful Debts

Balance at beginning of year	15 559 761	12 143 702
Contribution to provision	5 978 240	3 506 629
Debt Impairment written off against provision	(6 819 271)	(90 570)
Total	14 718 730	15 559 761

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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4. Receivables from Non-Exchange Transactions (continued)

Aging of Receivables from Non-exchange Transactions

Rates

Current (0 -30 days)	35 078	49 123
31 - 60 days	208 975	237 682
61 - 90 days	133 491	175 773
91 - 120 days	78 479	160 169
121 - 150 days	68 462	133 385
> 150 days	15 940 074	16 658 688
Total	16 464 559	17 414 820

5. Taxes

VAT Receivable from SARS	4 378 640	1 894 142
VAT Receivable (In suspense)	2 198 387	1 580 920
VAT Payable (In suspense)	112 549	(209 825)
VAT Output in Suspense	(1 123 608)	(1 398 559)
Less: VAT on Provision for Debt Impairment	1 236 157	1 188 734
Total	6 689 576	3 265 237

As Previously Reported

Correction of Error Restatement - Note 41

3 351 067

(85 830)

Restated Balance as at 30 June

3 265 237

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Call Investment Deposits	36 548 855	45 611 563
Current Accounts	5 376 724	6 095 405
Cash Floats	5 986	8 908
Total	41 931 565	51 715 876

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 62159933772 (Primary bank account)	1 163 716	1 075 151
First National Bank - Acc no 62312151848 (Petty Cash Account)	4 152	2 002
Standard Bank - Acc no 280642407 (Revenue Account)	2 794 483	5 020 254
Total	3 962 351	6 097 407

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
6. Cash and Cash Equivalents (continued)		
First National Bank - Acc no 62159933772		
(Primary bank account)		
Cash book balance at beginning of year	237 682	649 930
Cash book balance at end of year	1 163 716	237 682
Bank statement balance at beginning of year	1 075 151	496 715
Bank statement balance at end of year	1 163 716	1 075 151
First National Bank - Acc no 62312151848		
(Petty Cash Account)		
Cash book balance at beginning of year	2 002	3 532
Cash book balance at end of year	4 152	2 002
Bank statement balance at beginning of year	2 002	3 532
Bank statement balance at end of year	4 152	2 002
Standard Bank - Acc no 280642407		
(Revenue Account)		
Cash book balance at beginning of year	5 020 254	99 822
Cash book balance at end of year	2 794 483	5 020 254
Bank statement balance at beginning of year	5 020 254	99 822
Bank statement balance at end of year	2 794 483	5 020 254
Call Investment Deposits		
Standard Bank - Acc no 3884 9717 3001 – Expanded Public Works Programme	1 700 865	1 190 809
Standard Bank - Acc no 3884 9255 4001 - Elundini Housing	-	1 182
Standard Bank - Acc no 3884 9716 5001- Elundini Voting Station	18 143	1 003 629
Standard Bank - Acc no 3884 9341 0002 - FMG	1 714 334	2 194 258
Standard Bank - Acc no 3884 9257 0001- Housing Pilot	-	2 207
Standard Bank – Acc no 3884 9271 6001 - Katlehong Planning	-	28
Standard Bank – Acc no 3884 9240 6001 - Leave reserve	-	12 755
Standard Bank – Acc no 3884 9341 0001 - LED	-	190 586
Standard Bank – Acc no 3884 9425 5001 - Library	-	2 127
Standard Bank- Acc no 3884 9300 3001 - Maclear greenfields	1 273	1 241
Standard Bank – Acc no 3884 9232 5001 - MSIG	20 486	1 714 111
Standard Bank – Acc no 3884 9438 7001 - MSP	-	1 835
Standard Bank- Acc no 3884 9081 0001 - NER	4 549 990	2 679 564
Standard Bank – Acc no 3884 9001 - Revolving fund	-	322
Standard Bank – Acc no 3884 9351 8001 - Tourism	-	606 958
FNB – Acc no 6218 9194 170 - Equitable share	14 929	3 560 468
FNB – Acc no 6224 6726 197 - Furniture Management Project	414	30 857
FNB – Acc no 6224 6719 176 - Hawker stall	18	1 357
FNB – Acc no 6218 9180 111 - MIG	1 134 980	3 716 548
FNB – Acc no 6226 8632 934 - Ward functions	509	47 016
FNB – Acc no 6231 4106 - Community participation	566	863
FNB –Acc no 6228 4785 303 - Internal Road reserve	131	15 992
FNB – Acc no 6228 4785 121- Working capital reserve	25 179 894	27 368 094
FNB – Acc no 6241 1792 353 - Public works	133	25 420
FNB – Acc no 6237 8875 226 - Mayors social investment account	514 038	493 589
FNB – Acc no 6246 7970 052 - Business survey	1 085	96 905
FNB – Acc no 6254 3909 777- DBSA Bank	903	5
FNB – Acc no 6255 7322 - Joe Gqabi	1 694 594	646 269
	36 547 285	45 604 995

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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7. Property, Plant and Equipment

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	96 372 070	(5 884 582)	90 487 488	87 383 984	(4 893 026)	82 490 958
Infrastructure	462 564 901	(207 249 869)	255 315 032	427 206 963	(188 453 911)	238 753 052
Lease Assets	1 183 077	(605 187)	577 890	937 749	(345 760)	591 989
Other Assets	57 604 855	(36 515 357)	21 089 498	48 473 045	(31 243 372)	17 229 673
Total	617 724 903	(250 254 995)	367 469 908	564 001 741	(224 936 069)	339 065 672

The following repairs and maintenance expenses were incurred during the year for each asset class:

	30 June 2017	30 June 2016
Land and Buildings	1 415 327	1 269 490
Infrastructure	4 665 047	4 184 355
Other Assets	2 730 131	2 448 816
Total	8 810 505	7 902 661

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand

7. Property, Plant and Equipment (continued)

30 June 2017

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge / (Reversal)	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	87 383 984	12 812 441	(49 361)	(3 774 994)	96 372 070	4 893 026	1 008 492	(16 936)	-	5 884 582	90 487 488
Land	6 765 100	-	-	-	6 765 100	-	-	-	-	-	6 765 100
Buildings	45 707 246	3 774 994	-	-	49 482 240	2 524 460	511 367	-	-	3 035 827	46 446 413
Capitalised Restoration Costs	8 144 411	-	(49 361)	-	8 095 050	2 368 566	497 125	(16 936)	-	2 848 755	5 246 295
Work in Progress	26 767 227	9 037 447	-	(3 774 994)	32 029 680	-	-	-	-	-	32 029 680
Infrastructure	427 206 963	56 547 854	-	(21 189 916)	462 564 901	188 453 911	18 795 958	-	-	207 249 869	255 315 032
Electricity	60 092 794	3 393 712	-	-	63 486 506	9 541 714	1 569 591	-	-	11 111 305	52 375 201
Roads, Pavements, Bridges & Storm Water	339 628 435	17 796 204	-	-	357 424 639	178 912 197	17 226 367	-	-	196 138 564	161 286 075
Work in Progress	27 485 734	35 357 938	-	(21 189 916)	41 653 756	-	-	-	-	-	41 653 756
Lease Assets	937 749	245 328	-	-	1 183 077	345 760	259 427	-	-	605 187	577 890
Office Equipment	937 749	245 328	-	-	1 183 077	345 760	259 427	-	-	605 187	577 890
Other Assets	48 473 045	11 026 141	(1 894 331)	-	57 604 855	31 243 372	6 691 537	-	(1 419 552)	36 515 357	21 089 498
Furniture & Fittings	5 307 029	411 742	(38 475)	-	5 680 296	3 092 865	508 822	-	(30 255)	3 571 432	2 108 864
Motor Vehicles	20 421 848	3 888 000	(896 702)	-	23 413 146	13 221 791	3 005 809	-	(492 420)	15 735 180	7 677 966
Computer Equipment	5 355 651	2 252 728	(142 346)	-	7 466 033	3 220 600	819 189	-	(131 617)	3 908 172	3 557 861
Plant and Machinery	17 283 913	4 473 671	(816 808)	-	20 940 776	11 708 116	2 347 256	-	(765 260)	13 290 112	7 650 664
Security	104 604	-	-	-	104 604	-	10 461	-	-	10 461	94 143
Work in Progress	-	-	-	-	-	-	-	-	-	-	-
	564 001 741	80 631 764	(1 943 692)	(24 964 910)	617 724 903	224 936 069	26 755 414	(16 936)	(1 419 552)	250 254 995	367 469 908

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand

7. Property, Plant and Equipment (continued)

30 June 2016

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge / (Reversal)	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	76 384 797	11 029 690	(30 503)	-	87 383 984	4 032 863	888 257	(28 094)	-	4 893 026	82 490 958
Land	6 765 100	-	-	-	6 765 100	-	-	-	-	-	6 765 100
Buildings	42 214 818	-	-	3 492 428	45 707 246	2 077 324	447 136	-	-	2 524 460	43 182 786
Capitalised Restoration Costs	6 161 111	2 013 803	(30 503)	-	8 144 411	1 955 539	441 121	(28 094)	-	2 368 566	5 775 845
Work in Progress	21 243 768	9 015 887	-	(3 492 428)	26 767 227	-	-	-	-	-	26 767 227
Infrastructure	401 340 843	25 989 342	(123 222)	-	427 206 963	167 890 328	20 576 367	-	(12 784)	188 453 911	238 753 052
Electricity	59 076 687	-	(123 222)	1 139 329	60 092 794	8 019 384	1 535 114	-	(12 784)	9 541 714	50 551 080
Roads, Pavements, Bridges & Storm Water	322 226 943	-	-	17 401 492	339 628 435	159 870 944	19 041 253	-	-	178 912 197	160 716 238
Work in Progress	20 037 213	25 989 342	-	(18 540 821)	27 485 734	-	-	-	-	-	27 485 734
Lease Assets	839 008	655 334	(556 593)	-	937 749	817 844	66 169	-	(538 253)	345 760	591 989
Office Equipment	839 008	655 334	(556 593)	-	937 749	817 844	66 169	-	(538 253)	345 760	591 989
Other Assets	43 491 095	6 095 164	(1 113 214)	-	48 473 045	25 251 771	6 844 641	-	(853 040)	31 243 372	17 229 673
Furniture & Fittings	4 438 642	868 387	-	-	5 307 029	2 663 663	429 202	-	-	3 092 865	2 214 164
Motor Vehicles	19 405 300	2 119 674	(1 103 126)	-	20 421 848	10 481 938	3 586 636	-	(846 783)	13 221 791	7 200 057
Computer Equipment	4 312 939	1 052 799	(10 087)	-	5 355 651	2 425 217	801 640	-	(6 257)	3 220 600	2 135 051
Plant and Machinery	15 229 609	2 054 304	-	-	17 283 913	9 680 953	2 027 163	-	-	11 708 116	5 575 797
Security	104 605	-	(1)	-	104 604	-	-	-	-	-	104 604
Work in Progress	-	-	-	-	-	-	-	-	-	-	-
	522 055 743	43 769 530	(1 823 532)	-	564 001 741	197 992 806	28 375 434	(28 094)	(1 404 077)	224 936 069	339 065 672

Pledged as security

No property, plant and equipment are pledged as securities for liabilities.

There are no restrictions on titles for property, plant and equipment.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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8. Investment Property

	Carrying value	Carrying value
Investment property	34 689 626	34 969 098

The movement in investment properties is reconciled as follows:

Opening Carrying Value	34 969 098	35 046 282
Cost	35 503 196	35 503 196
Accumulated Depreciation	(534 098)	(456 914)
Disposals	(202 500)	-
Cost	(202 500)	-
Accumulated Depreciation	-	-
Additions	-	-
Depreciation for the year	(76 972)	(77 184)
Closing Carrying Value	34 689 626	34 969 098
Cost	35 300 696	35 503 196
Accumulated Depreciation	(611 070)	(534 098)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

An income of R 1 380 945.36 (2016 - R1 311 398) was identified on these investment properties and was recognised as revenue from rental of facilities.

Operating expenses that enabled the municipality to generate economic benefits as well as maintain the standards of the facilities were identified as R12 000 (2016 - R318).

There are no work in progress for investment property.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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9. Intangible Assets

	Carrying value 7	Carrying value 226 642
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Computer Software

The movement in Intangible Assets is reconciled as follows:

Opening Carrying Value	226 642	287 449
Cost	418 065	418 065
Accumulated Depreciation	(191 423)	(130 616)
Depreciation for the year	(226 637)	(60 807)
Closing Carrying Value	5	226 642
Cost	418 065	418 065
Accumulated Depreciation	(418 060)	(191 423)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

10. Deferred Revenue

Rental of SASSA Building	357 277	516 680
Less: Current Portion transferred to Current Liabilities	(185 377)	(159 403)
Total Long-term Deferred Revenue	171 900	357 277

The South African Social Security Agency (SASSA) is leasing a building from Elundini Local Municipality. As per the rental agreement, SASSA incurred expenditure on their own account to upgrade the building in exchange to pay R16 089 per month less rentals than the market rental asking price. The deferred revenue will un-wind over the period of the lease agreement, which is 7 years.

11. Consumer Deposits

Electricity	303 608	302 048
Housing Rental	98 161	86 037
	401 769	388 085

The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
12. Employee Benefit Obligations		
Current Employee Benefits		
Post Retirement Medical Obligation	-	108 540
Long-Service Provisions	907 616	194 459
Accrued Bonuses	1 935 388	1 629 294
Performance Bonuses	996 955	4 932 993
Staff Leave	2 872 311	3 534 379
Non-current employee benefits		
Post Retirement Medical Obligation	1 513 357	1 404 817
Long-Service Provisions	2 508 319	2 615 076
Total	10 733 946	14 419 558
Non-current Liabilities	4 021 676	4 019 893
Current Liabilities	6 712 270	10 399 665
Total	10 733 946	14 419 558
Accrued Bonuses		
Opening Balance	1 629 294	1 474 940
Contribution During the Year	4 138 580	3 459 734
Payments Made	(3 832 486)	(3 305 380)
Closing Balance	1 935 388	1 629 294
Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer who elected not to structure within package. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.		
Performance Bonuses		
Opening Balance	4 932 993	2 630 270
Contribution During the Year	(2 545 420)	2 769 682
Payments Made	(1 390 619)	(466 959)
Closing Balance	996 954	4 932 993
Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.		
Staff Leave		
Opening Balance	3 534 379	3 713 012
Contribution During the Year	557 679	(39 787)
Payments Made	(1 219 747)	(138 846)
Closing Balance	2 872 311	3 534 379

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer who elected not to structure within package. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
-----------------	------	------

12. Employee Benefit Obligations (continued)

Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are Reconciled as Follows:

Opening Balance	1 513 357	1 798 214
Contribution During the Year	-	146 323
Payments Made	(108 540)	(149 520)
Finance Charges	127 916	-
Actuarial Gain	(39 875)	(281 660)
Total Balance at Year-End	1 492 858	1 513 357
Less Current Portion	-	(108 540)
Total	1 492 858	1 404 817

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Continuation Members	4	4
Total	4	4

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
LA Health

Key Actuarial Assumptions used are as follows:	2017 %	2016 %
i) Interest Rates		
Discount Rate	8,95	8,76
Health Care Cost Inflation Rate	7,29	7,90
Net Effective Discount Rate	1,55	0,80

ii) Mortality rates

SA85-90 (Mixed) Ultimate

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The liability in respect of past service recognised in the Statement of Financial Position is as follows:

	Contribution members R	Present value of fund obligations R
30 June 2017	1 492 858	1 492 858
30 June 2016	1 513 357	1 513 357
30 June 2015	1 798 214	1 798 214
30 June 2014	1 882 633	1 882 633
30 June 2013	1 877 451	1 877 451

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	Liabilities (Gain)/Loss	Assets Gain/(Loss)
30 June 2017	72 000	-
30 June 2016	(28 000)	-
30 June 2015	(125 000)	-
30 June 2014	6 000	-
30 June 2013	77 000	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
-----------------	------	------

12. Employee Benefit Obligations (continued)

Sensitivity Analysis on the Accrued Liability

Assumption	Total liability R m	% change
Liability	1,493	
Health Care Inflation + 1%	1,634	9,44
- 1%	1,370	-8,24
Discount Rate + 1%	1,373	-8,04
- 1%	1,633	9,38
Post-Retirement Mortality - 1 year	1,548	3,68

Sensitivity Analysis on the Interest Costs

Assumption	Interest R	% change
Liability	126 900	
Health Care Inflation + 1%	139 500	9,93
- 1%	116 000	-8,59
Discount Rate + 1%	129 200	1,81
- 1%	123 900	-2,36
Post-Retirement Mortality - 1 year	131 800	3,86

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
12. Employee Benefit Obligations (continued)		
Long Service Awards		
Balance 1 July	2 809 535	2 417 470
Contribution for the Year	408 555	565 193
Expenditure for the Year	(61 535)	(126 300)
Finance Charges	230 450	-
Actuarial (Gain)/Loss	28 930	(46 828)
Total Long Service 30 June	3 415 935	2 809 535
Less: Transfer of Current Portion	(907 616)	(194 459)
Balance 30 June	2 508 319	2 615 076

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for ??? employees (2016 - 219 employees), but they are not all eligible for payment in the same year.

	2017 %	2016 %
Key Actuarial Assumptions used are as follows:		
i) Interest Rates		
Discount Rate	8,33	8,49
General Salary Inflation (Long-Term)	6,15	7,15
Net Effective Discount Rate applied to Salary-Related Long Service Bonuses	2,05	1,25

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

ii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The liability in respect of past service recognised in the Statement of Financial Position is as follows:

	Present value of fund obligations R
30 June 2017	3 415 935
30 June 2016	2 809 535
30 June 2015	2 417 470
30 June 2014	2 285 606
30 June 2013	1 866 498

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	Liabilities (Gain)/Loss	Assets Gain/(Loss)
30 June 2017	319 878	-
30 June 2016	157 004	-
30 June 2015	(14 772)	-
30 June 2014	181 908	-
30 June 2013	(352 275)	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
-----------------	------	------

12. Employee Benefit Obligations (continued)

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Total liability R m	% change
Liability	3,416	
General Salary Inflation		
+ 1%	3,608	5,62
- 1%	3,243	-5,06
Discount Rate		
+ 1%	3,236	-5,27
- 1%	3,619	5,94
Average Retirement Inflation		
- 2 year	3,171	-7,17
+ 2 year	3,753	9,87
Withdrawal Rates		
- 50%	4,144	21,31

Sensitivity Analysis on the future Current-service and Interest Costs

Assumption	Current Service Cost R	Interest R	Total R	% change
Liability	528 900	247 500	776 400	
General Salary Inflation				
+ 1%	569 500	263 400	832 900	7,28
- 1%	492 600	233 100	725 700	-6,53
Discount Rate				
+ 1%	496 100	260 500	756 600	-2,55
- 1%	566 100	232 500	798 600	2,86
Average Retirement Age				
- 2 years	502 400	228 500	730 900	-5,86
+ 2 years	564 500	273 300	837 800	7,91
Withdrawal Rates				
- 50%	725 400	308 100	1 033 500	33,11

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
-----------------	------	------

12. Employee Benefit Obligations (continued)

Retirement Funds

The Consolidated Retirement Fund (former Cape Retirement Fund) is a multi-employer plans. This means that there are multiple local authorities that participate in this fund. In terms of GRAP 25, these multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the funds' assets from the fund administrator. The fund administrator confirmed that assets of the funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrators. The fund administrators claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated Retirement Fund is defined as a defined benefit plan, it will be accounted for as defined contribution plan.

Defined Contribution Funds

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund was in a sound financial position with a funding level of 100.6% (30 June 2015 - 100.4%).

Contributions paid recognised in the Statement of Financial Performance	11 403 366	-
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Defined Contribution Funds

Council contributes to the SALA Pension Fund, SAMWU National Provident Fund and National Fund Municipal Managers which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance:

Municipal Councillors	515 809	-
Cape Retirement	3 930 888	-
SALA Pension	1 452 013	-
SAMWU National	4 707 883	-
National Municipal Workers Fund	796 773	-
	<u>11 403 366</u>	<u>-</u>

13. Payables from Exchange Transactions

Trade payables	19 188 386	14 881 382
Sundry creditors	661 603	216 797
Payments Received in Advanced	819 470	1 996 041
Retention	5 370 462	5 931 162
Bursary Scheme	27 839	27 194
Deposits Received	120 064	324 257
Unknown Receipts	103 826	147 281
Total Payables from Exchange Transactions	<u>26 291 650</u>	<u>23 524 114</u>
As Previously Reported		(24 560 294)
Correction of Error Restatement - Note 41		1 036 182

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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13. Payables from Exchange Transactions (continued)

Restated Balance as at 30 June		(23 524 112)
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Payables are being recognised net of any discounts. Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary. Included in sundry deposits are hall rentals.

Deposits amounting to R581 480 (2016 - R581 480) serve as security for Payables. The remainder of the Payables are unsecured.

The Municipality did not default on any of their payments.

14. Unspent Conditional Grants and Receipts

Unspent Conditional Grants and Receipts Comprises of:

Unspent conditional grants and receipts

Elundini Library Fund	555 937	426 821
Voter Station Grant	1 360	1 000 000
	557 297	1 426 821

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

The Unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

15. Finance leases

At amortised cost

Capitalised Lease	344 674	493 181
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Capital lease liabilities at amortised cost are calculated at 20.45% interest rate, with maturity date of 31 March 2019.

Non-current liabilities

At amortised cost	162 782	344 674
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Current liabilities

At amortised cost	181 892	148 507
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Minimum lease payments

Payable within one year	235 954	235 954
Payable within two to five years	176 965	412 919
Subtotal	412 919	648 873
Less: Future finance obligations	(68 245)	(155 692)
Total	344 674	493 181

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
16. Provisions		
Reconciliation of provisions		
Opening Balance	11 156 232	8 658 969
Increase in Estimate	-	2 013 803
Decrease in Estimate	(49 361)	(30 503)
Unwinding of discounted interest	725 155	513 963
Closing Balance	11 832 026	11 156 232

The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

- Maclear	3 131 049	2 952 812
- Mount Fletcher	4 665 129	4 397 809
- Ugie	4 035 849	3 805 612
Total	11 832 027	11 156 233

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

No landfill sites are scheduled for closure in the year that would require closure by capping. All sites are to remain operational. Allowance has been made for survey, environmental and community issues in providing cover to the existing waste to a suitable standard.

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1800 tonnes per year (i.e. 7 tonnes as day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

In calculating the provision for rehabilitation, the following four items have been included:

- Direct Contract Cost
- Indirect Professional Fees
- Indirect Disbursements
- Escalation

There are currently three landfill sites in Elundini which service Mount Fletcher, Maclear and Ugie, hence they are named after the town which they service.

Mt Fletcher Landfill Site:

Size of operational landfill area?	5 000 m ² (Trench)
Is the site licensed?	Yes
What is the classification of the site	G:C:B
Is the site operational?	Yes
If the site is operational, is there an expected closure date?	No
If the site is operational, what is the annual tonnage of waste deposited on site?	785 tons
If the site is not operational what was the date the site was last operated?	N/A
Is there any hazardous waste on site?	Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
Are there any existing boreholes for monitoring?	No
Is there a monitoring program in place?	N/A
Are there any geographical features that should be taken into consideration?	No
Status of cover material?	N/A. Trench System, cover material available from trenching process.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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16. Provisions (continued)

Maclear Landfill Site:

Size of operational landfill area?	12 000 m ² (Platform)
Is the site licensed?	Yes
What is the classification of the site	G:C:B
Is the site operational?	Site is now a transfer station
If the site is operational, is there an expected closure date?	No
If the site is operational, what is the annual tonnage of waste deposited on site?	1 800 tons
If the site is not operational what was the date the site was last operated?	N/A
Is there any hazardous waste on site?	Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
Are there any existing boreholes for monitoring?	Yes
Is there a monitoring program in place?	No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area.
Are there any geographical features that should be taken into consideration?	Spring on adjacent farm
Status of cover material?	Cover material on site, volume unknown

Ugie Landfill Site:

Size of operational landfill area?	16 000 m ² (Platform)
Is the site licensed?	Yes
What is the classification of the site	G:S:C
Is the site operational?	Yes
If the site is operational, is there an expected closure date?	No
If the site is operational, what is the annual tonnage of waste deposited on site?	Estimate 120,000 tons per year from vehicle counts
If the site is not operational what was the date the site was last operated?	N/A
Is there any hazardous waste on site?	There have been small amounts deposited in the past, EHP from District Municipality assist us by.
Are there any existing boreholes for monitoring?	Yes
Is there a monitoring program in place?	No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area.
Are there any geographical features that should be taken into consideration?	No
Status of cover material?	Cover material on site, volume unknown.

17. Service Charges

Electricity	23 843 532	21 613 619
Refuse Removal	4 759 218	4 412 505
Less: Rebates	(4 610 878)	(5 218 882)
	23 991 872	20 807 242

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
18. Plant Income		
Earnings prior to expenditure	3 911 882	5 668 535
Less: Employee Related Costs	(2 720 432)	(1 122 018)
Less: Depreciation and Amortisation	(102 973)	(1 670 243)
Less: Repairs and Maintenance	(650 982)	(2 734 286)
Less: General Expenses	(1 088 477)	(2 876 274)
Total Plant Income	(650 982)	(2 734 286)
Plant Income is associated with roads construction for MIG projects.		
19. Rental of Facilities and Equipment		
Facilities and equipment		
Rental of Facilities	1 380 945	1 311 398
Rental of Equipment	1 219	47 271
Deferred Rental Income	193 068	193 068
	1 575 232	1 551 737
20. Investment revenue		
Interest on bank balances	4 538 778	3 652 476
Interest on outstanding debtors	1 803 688	1 400 071
	6 342 466	5 052 547
21. Licences and Permits		
Public Drivers Permits	249 880	126 888
Driving Licences	328 982	281 730
Learner Driving Licences	386 255	278 475
Number Plates	95	903
Registrations	1 405 943	1 176 982
	2 371 155	1 864 978
22. Other Income		
Auction Sales	41 499	66 466
Building Plan and Inspection Fees	79 669	113 830
Cemetery Fees	24 676	26 099
Commission Received	84 167	1 740
Greenest Municipality Award	500 000	-
Insurance Claims Received	-	278 895
LGSETA Claims Received	54 270	128 549
Photocopies	-	5 900
Pound Fees	137 538	127 545
Prescribed Debt	-	73 514
Sundry Income	207 816	(13 116)
Tender Document Sales	160 931	113 521
Total	1 290 566	922 943
Disclosed As:		
Revenue from Exchange Transactions	790 566	922 943
Revenue from Non-Exchange Revenue	500 000	-
Total	1 290 566	922 943

Prescribed Debt includes unclaimed deposits and receipts older than three years recognised as income.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
23. Property Rates		
Rates Received		
Rateable Land and Buildings	20 605 214	17 344 555
Less: Rebates	(3 387 184)	(2 761 729)
	17 218 030	14 582 826
Valuations		
Residential	595 320 500	581 713 500
Special Residential	35 625 500	33 669 179
Business and Government Property used by Local Government	638 980 328	608 798 500
Industrial	183 058 500	184 237 000
Government Property used by Provincial and District Government	44 498 500	44 498 500
Government Property used by National Government	22 273 500	24 175 500
Public Service Infrastructure and Agriculture	3 372 587 942	3 394 377 591
Municipal Owned Property and Churches	555 997 276	549 162 776
Rateable Land and Buildings	5 448 342 046	5 420 632 546
Rebates on Income - Basic Rate:		
Residential	0,644c/R	0.576c/R
Special Residential	1,287c/R	0.748c/R
Business and Government Property used by Local Government	0,965c/R	0.859c/R
Industrial	1,287c/R	1.147c/R
Government Property used by Provincial and District Government	1,287c/R	0.86c/R
Government Property used by National Government	1,287c/R	0.912c/R
Public Service Infrastructure and Agriculture	0,161c/R	0.143c/R
Municipal Owned Property and Churches	0,000c/R	0.00c/R

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
24. Government Grants and Subsidies		
Operating grants		
Equitable Share	129 070 000	132 110 000
Municipal Systems Improvement Grant	-	930 000
Municipal Finance Management Grant	1 625 000	1 600 000
Integrated National Electrification Programme (INEP)	17 500 000	20 050 450
Other Grants	2 168 884	2 805 626
Municipal Infrastructure Grant	1 862 500	-
Total	152 226 384	157 496 076
Capital grants		
Municipal Infrastructure Grant	40 387 500	33 234 491
Government grant (capital) 2	998 640	-
Total	41 386 140	33 234 491
Total Grants and Subsidies	193 612 524	190 730 567
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	64 542 524	58 620 567
Unconditional grants received	129 070 000	132 110 000
	193 612 524	190 730 567
The Municipality does not expect any significant changes to the level of grants.		
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable Share	129 070 000	132 110 000
Budget & Treasury	1 625 000	2 530 000
Community Services	620 884	756 389
Strategic Planning & Development	-	792 141
Technical services	62 296 640	54 542 037
Total Grants	193 612 524	190 730 567
Equitable Share		
Current-year receipts	129 070 000	132 110 000
Conditions met - operating	(129 070 000)	(132 110 000)
Closing Unspent Balance	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	242 490
Current-year receipts	42 250 000	32 992 000
Conditions met - operating	(1 862 500)	(1 899 600)
Conditions met - capital	(40 387 500)	(31 334 890)
Closing Unspent Balance	-	-

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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24. Government Grants and Subsidies (continued)

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	-	930 000
Conditions met - operating	-	(930 000)
Closing Unspent Balance	-	-

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act.

Financial Management Grant (FMG)

Current-year receipts	1 625 000	1 600 000
Conditions met - operating	(1 625 000)	(1 600 000)
Closing Unspent Balance	-	-

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	50 450
Current-year receipts	17 500 000	20 000 000
Conditions met - operating	(17 500 000)	(20 050 450)
Closing Unspent Balance	-	-

The National Electrification Grant is used for electrical connections in previously disadvantaged areas.

Other Grants

Balance unspent at beginning of year	1 437 761	1 273 351
Current-year receipts	2 298 000	2 970 036
Conditions met - operating	(3 178 464)	(2 236 268)
Conditions met - capital	-	(569 358)
Closing Unspent Balance	557 297	1 437 761

Various grants were received from other spheres of government.

25. Fines

Traffic fines	330 400	718 108
Illegal connection fines	36 433	35 962
Other fines	43 865	186 761
	410 698	940 831

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
26. Employee related costs		
Bursary	-	5 590
Contribution to Current Employee Benefits - Bonuses Accrued	4 142 077	3 459 735
Contribution to Current Employee Benefits - Staff Leave	2 925 314	1 594 304
Contribution to Current Employee Benefits - Performance Bonuses	(2 424 204)	2 753 760
Contribution to Employee Benefits - Long Service Awards	408 555	381 782
Medical Aid Contributions	3 651 078	3 672 123
Pension Fund Contributions	7 453 611	5 617 426
Salaries and Wages	49 716 006	45 009 528
Skills Development Levy	736 844	601 863
Travel, Motor Car, Telephone, Assistance and Other Allowances	6 291 583	8 094 887
UIF Contributions	424 604	387 913
Workmens Compensation	23 507	346 091
Sub-Total	73 348 975	71 925 002
Less: Employee Costs associated with Plant Income	(2 720 432)	(1 122 018)
Total	70 628 543	70 802 984
Municipal Manager - K Gashi		
Annual Remuneration	852 316	932 063
Car Allowance	296 856	274 771
Performance Bonuses	95 448	63 717
Contributions to UIF, Medical and Pension Funds	126 051	124 215
Leave Pay	130 900	-
Total	1 501 571	1 394 766
Manager Infrastructure Planning and Development - X Mntonintshi		
Annual Remuneration	759 408	711 309
Car Allowance	414 849	390 360
Performance Bonuses	33 852	52 783
Contributions to UIF, Medical and Pension Funds	13 253	7 872
Total	1 221 362	1 162 324
Manager Corporate Services - SR Matubatuba		
Annual Remuneration	752 404	768 611
Car Allowance	399 450	413 078
Performance Bonuses	122 565	80 183
Contributions to UIF, Medical and Pension Funds	14 948	1 872
Leave Pay	83 148	-
Total	1 372 515	1 263 744
Chief Financial Officer - J Mdeni		
Annual Remuneration	719 504	654 890
Car Allowance	419 462	434 724
Performance Bonuses	56 420	105 457
Contributions to UIF, Medical and Pension Funds	13 386	1 872
Total	1 208 772	1 196 943

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
26. Employee related costs (continued)		
Manager Strategic Planning and Economic Development - NC Eddie (Resigned)		
Annual Remuneration	719 504	654 890
Car Allowance	419 462	272 871
Performance Bonuses	56 420	105 871
Contributions to UIF, Medical and Pension Funds	13 386	1 785
Other	-	161 854
Total	1 208 772	1 197 271
Manager Community Services - L Kokose (from 01/10/2016)		
Annual Remuneration	442 276	-
Car and Other Allowances	244 375	-
Performance Bonuses	30 602	-
Contributions to UIF, Medical and Pension Funds	8 701	-
Leave Pay	60 250	-
Total	786 204	-
27. Remuneration of councillors		
Executive Mayor	763 569	789 049
Speaker	630 664	636 148
Councillors	8 834 739	9 366 501
Total	10 228 972	10 791 698
In-kind benefits		
The Mayor and Speaker are full-time. They are provided with secretarial support, office and a municipal motor vehicle at the cost of the Council.		
28. Debt Impairment		
Contribution to Debt Impairment	9 185 391	6 132 625
29. Depreciation and Amortisation		
Property, Plant and Equipment	26 755 414	28 375 434
Investment Property	76 972	77 184
Intangible assets	226 637	60 807
Total	27 059 023	28 513 425
Less: Depreciation and Amortisation associated with Plant Income	(102 973)	(1 670 243)
	26 956 050	26 843 182

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
30. Repairs and Maintenance		
Infrastructure	4 681 985	4 184 355
Land and Buildings	2 020 447	1 269 490
Other Assets	3 212 332	2 448 816
Total Repairs and Maintenance	9 914 764	7 902 661
Less: Repairs and Maintenance associated with Plant Income	(650 982)	(2 734 286)
Total Repairs and Maintenance	9 263 782	5 168 375
Balance Previously Reported		5 465 155
Restatements - Refer to note 41		(296 780)
Restated Balance as at 30 June		5 168 375
31. Finance Costs		
Interest	1 077 408	907 467
32. Bulk Purchases		
Electricity	21 294 712	19 064 933
33. Contracted Services		
Solid Waste	2 727 340	2 730 602
Total	2 727 340	2 730 602
34. Operating Grant Expenditure		
Budget & Treasury	1 532 860	2 327 524
Strategic Planning & Development	786 741	84 000
Technical services	17 885 911	20 980 007
Total	20 205 512	23 391 531
As Previously Reported		23 799 816
Restatements - Refer to note 41		(408 285)
Restated Balance as at 30 June		23 391 531

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
35. General Expenses		
Advertising	759 823	872 713
Auditors Remuneration	3 109 191	3 142 279
Bank Charges	109 655	76 659
Cleaning	79 638	88 055
Commission Paid	476 779	380 580
Conferences and Seminars	205 945	425 571
Consulting and Professional Fees	5 698 307	5 420 343
Entertainment	1 108 077	669 064
Fraud Prevention Plan	42 000	45 010
Fuel and Oil	3 233 340	3 232 086
Gifts	165 607	31 715
Insurance	403 745	839 402
Job Evaluation	178 186	70 918
Lease Rentals	655 292	980 052
Licence Fees	954 928	913 883
mSCOA Implementation Costs	4 032 665	31 925
Other Expenses	2 187 382	2 727 221
Postage and Courier	44 695	35 302
Printing and Stationery	1 059 805	865 878
Promotions and Sponsorships	1 385 437	621 561
Protective Clothing	523 489	267 366
Public Participation	798 722	1 471 391
Refuse	91 892	151 209
Relocation Costs	1 500	115 920
Security (Guarding of Municipal Property)	2 278 001	1 191 030
Small Tools and Equipment	1 033 437	731 361
Special Programmes	4 297 865	3 666 594
Subscriptions and Membership Fees	1 537 695	469 416
Telephone and Fax	2 567 063	2 166 704
Town Planning and Property Valuation Fees	66 457	12 500
Traffic Department Costs	139 213	93 710
Training	3 719 091	1 561 426
Travel and Subsistence	7 654 550	6 898 385
Ward Committees	1 322 644	1 297 005
Sub-total	51 922 116	41 564 234
Less: General Expenses associated with Plant Income	(1 088 477)	(2 876 274)
Total	50 833 639	38 687 960
As Previously Reported		38 933 246
Correction of Error - Refer to note 41		(245 287)
Restated Balance as at 30 June		38 687 959
36. Gains / (Losses) on Disposal of Assets		
Investment Property	-	150 000
Property, Plant and Equipment	172 870	(167 388)
Total	172 870	(17 388)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
37. Cash generated from operations		
Surplus	22 674 006	31 149 919
Adjustments for:		
Reversal of Impairments	(16 936)	(28 094)
Un-winding of Deferred Revenue - Rental Income	(193 068)	(193 068)
Loss on Disposal of Non-Monetary Assets	237 404	167 388
Gain on Disposal of Non-monetary Assets	-	(150 000)
Debt Impairment	9 185 391	6 132 624
Un-winding of Deferred Revenue - Finance Charges	33 665	45 254
Depreciation and Amortisation	27 059 020	28 513 425
Movement in Employee Benefits - Non-current	1 783	202 027
Movement in Employee Benefits - Current	(3 687 396)	2 183 626
Movement in Provisions	725 155	513 963
Changes in Working Capital:		
Inventories	2 767 536	(5 336 191)
Unspent Government Grants	(869 524)	(185 471)
Taxes	(3 424 339)	1 174 502
Inventory	102 198	186 073
Receivables (both Exchange and Non-Exchange)	(9 017 417)	(5 578 297)
Unpaid Government Grants	-	46 011
	45 577 478	58 843 691
38. Additional Disclosures in Terms of Municipal Finance Management Act		
38.1 SALGA Contributions [MFMA 125 (1)(b)]		
Opening balance	-	630 259
Current year subscription / fee	812 290	(630 259)
Amount paid - current year	(812 290)	-
Outstanding Balance	-	-
38.2 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	-	-
Expenditure incurred	3 415 576	3 142 279
Current year subscription / fee	3 415 576	3 142 279
Payments	(3 415 576)	(3 142 279)
Outstanding Balance	-	-
38.3 VAT [MFMA 125 (1)(c)]		
Opening balance	2 463 657	4 223 471
Current year subscription / fee	14 116 204	9 847 162
Amount paid - previous years	(12 474 239)	(11 606 976)
Outstanding Balance	4 105 622	2 463 657

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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38. Additional Disclosures in Terms of Municipal Finance Management Act (continued)

38.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

Current year subscription / fee	14 091 263	12 789 074
Amount paid - current year	(14 091 263)	(12 789 074)
Outstanding Balance	-	-

38.5 Pension and Medical Aid Contributions [MFMA 125 (1)(c)]

Current year subscription / fee	17 577 446	15 692 163
Amount paid - current year	(17 577 446)	(15 692 163)
Outstanding Balance	-	-

38.6 Councillors Arrear Accounts [MFMA 124 (1)(b)]

No Councillor had any arrear account outstanding for more than 90 days at year end.

38.7 Quotations Awarded - Deviations from SCM

Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders:

All the deviations were ratified by the Municipal Manager and reported to Council.

Section 36(1)(a)(i) - Emergencies	3 316 442	1 465 809
Section 36(1)(a)(ii) - Single Provider	3 034 571	5 539 691
Section 36(1)(a)(iii) - Specialised Services	1 415 328	2 425 007
Section 36(1)(a)(v) - Impractical to Follow Official Procurement Process	5 242 853	6 189 859
Total	13 009 194	15 620 366
Municipal Manager Office	1 080 759	2 870 418
Budget and Treasury Office	1 344 164	1 393 399
Infrastructure Planning and Development	6 813 777	7 300 027
Corporate Services	2 809 161	2 974 817
Strategic Planning and Development	207 603	563 065
Community Services	753 730	518 640
Total	13 009 194	15 620 366

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
39. Contingent Liabilities		
Council do have the following contingent liabilities at the end of the financial year 2016/2017:		
A labour related dispute was declared. The SALGBC has found in favour of the applicant and as such has instructed the Council to appoint the applicant to the position of Community Services Manager, effective April 2012. The Labour Court has, in November 2016, set aside the arbitration award and further referred the matter back to the bargaining council for an arbitration process. As a result, the contingent liability no longer exists.	-	1 955 498
A labour dispute was declared relating to unpaid employee benefits amounting to R465 892. The matter emanates from their claim for unpaid overtime and standby allowance dating back to 2002. This matter is currently pending litigation and legal costs are estimated at R10 000.	465 892	465 892
A company was contracted to do road repairs in Maclear, but failed to do work to satisfaction of the Municipality. The Municipality rightfully retained a certain percentage of the retention fee amounting to an estimate of R950 000. The plaintiff is suing the Municipality for the retention fees. The Municipality has defended the action. The Municipality is now awaiting for its attorneys to give a response to the claim (Plea). Legal fees are estimated at R100 000.	950 000	950 000
The Municipality was sued by two separate plaintiffs for fire that allegedly originated from communal property registered in the name of the Municipality, which spread to the plaintiffs' properties causing damages of R100 000 and R54 000 respectively. The R100 000 claim has since been resolved through the Magistrate's Court in favour of the municipality for lack of a joinder of the Joe Gqabi District Municipality, and the matter has not been re-enrolled. The claim of R54 000 was not submitted before the court on the due date. The chances of the plaintiff being granted condonation are remote.	-	54 000
The Municipality has been sued by a plaintiff for damages to his vehicle amounting to R85 307. The plaintiff alludes that the damages obtained was due to the Municipality neglecting to maintain its roads. The Municipality is now awaiting for its attorneys to respond to the claim (Plea). Legal fees are estimated at R50 000, given the anticipation that this matter can go to trial.	85 307	85 307
A contractor failed to fulfil its contractual obligations and therefore the Municipality, after following due process, terminated the contract in March 2014. A Summons was received on 23 September 2014 claiming for loss of profit of the said termination amounting to R1 250 000. The Municipality filed an Application challenging the Summons. The matter was recently heard, but judgement was reserved. The Municipality's application was later dismissed. Legal fees are estimated to be R200 000.	1 250 000	1 250 000
A music production company has applied for a court interdict against the municipality, alleging copyright infringement when an artist's copy of album was given to a competitor to promote, produce and market the artist's music. Furthermore, that in terms of an agreement, the municipality was supposed to give the applicant a right of first option if the artist's music was to be released and distributed in any formats for commercial exploitation. they claim to have a right to the artist's profits and royalties, and are claiming damages, the quantum of which will be determined at a later stage and is currently unknown. The estimated legal costs for this court action is R343 130.	-	-
An employee has lodged papers in the Labour Court, in which he is seeking the Labour Court to order parity of remuneration among him and his colleagues who, whilst enjoying the same T.A.S.K grade as them, they are however remunerated better than him. The municipality is opposing the matter. The claim is that the employee's remuneration be adjusted to R670 000 with effect from 1 June 2014, to R712 210 with effect from 1 January 2015 and that hence forth the salary be equated to that of the other employees. the costs of defending the matter at the Labour Court are R150 000	408 472	231 677

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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39. Contingent Liabilities (continued)

A contractor was appointed to construct an access road and was paid off as per the terms of the contract. Subsequent to the work performed, the contractor submitted a claim alleging to have performed additional work for which the municipality has not paid. The municipality has refused to pay the amounts claimed as the work allegedly performed cannot be verified and was also not authorised. The contractor has approached a court of law to demand payment and the municipality is defending the action.	961 156	-
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Total estimated Contingent Liabilities	4 120 827	4 992 374
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40. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

40.1 Unauthorised Expenditure

Unauthorised expenditure consist out of the following:

Opening balance	8 159 636	8 159 636
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	520 178	-
Written off by Council	(8 159 636)	-
Unauthorised Expenditure Awaiting Approval	520 178	8 159 636

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. The Council committee responsible for this expenditure has conducted investigations resolved to recommend to Council for the write off of the amount. Council has not yet discussed the matter.

	2017 Actual R	2017 Final Budget R	2017 Unauthorised R
Unauthorised expenditure - Operating			
Executive and Council	32 296 006	40 723 350	-
Budget & Treasury	35 006 999	60 564 075	-
Corporate Services	25 471 576	31 062 089	-
Community Services	32 596 673	32 813 318	-
Strategic Planning & Development	9 198 176	11 214 437	-
Technical services	83 128 224	119 309 778	-
Total	217 697 654	295 687 047	-

	2017 Actual R	2017 Final Budget R	2017 Unauthorised R
Unauthorised expenditure - Capital			
Executive and Council	1 619 390	1 990 000	-
Budget & Treasury	2 657 303	2 700 000	-
Corporate Services	1 269 407	749 229	520 178
Community Services	1 795 816	2 172 217	-
Strategic Planning & Development	259 696	694 387	-
Technical services	48 065 221	55 828 781	-
Total	55 666 833	64 134 614	520 178

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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40. Unauthorised, Irregular, Fruitless and Wasteful Expenditure (continued)

Corporate Services budgeted for a disaster recovery project that was expected to be operational in nature. During the completion of the project, certain costs pertaining to the project was noted to be capital in nature. As a result, the capital expenditure of the department was more than the approved budget. The unauthorised expenditure is therefore due to the misallocation of the budget between operational and capital expenditure.

40.2 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure consist out of the following:

Opening balance	902 052	902 052
Written off by Council	(887 392)	-
Recovered by Council	(14 660)	-
Fruitless and wasteful expenditure awaiting approval	-	902 052

Details of Fruitless and wasteful expenditure incurred:

None.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
40. Unauthorised, Irregular, Fruitless and Wasteful Expenditure (continued)		
40.3 Irregular Expenditure		
Irregular expenditure consists out of the following:		
Opening Balance	474 227	484 148
Add: Irregular Expenditure - current year	84 900	-
Less: Amounts recoverable (not condoned)	-	(9 921)
Less: Amounts not recoverable (condoned)	(474 227)	-
Irregular Expenditure Awaiting Approval	84 900	474 227
Details of Irregular expenditure incurred:		
Non-compliance with supply chain management policy	84 900	474 227
41. Material Losses		
Electricity distribution losses		
Kwh Purchased	19 347 202	19 195 003
Less: Kwh Sold	(14 873 985)	(15 015 557)
Kwh losses	4 473 217	4 179 446
% Losses	23,12	21,77
Average cost per Kwh unit (excl VAT)	1,0129	0,9019
Losses in Rand Value	4 530 921	3 769 442
42. Prior Period Adjustments		
42.01 Statement of Financial Performance		
Repairs and Maintenance		
Balance Previously Reported		5 465 155
Correction of Error - Refer to comment 2		(296 780)
Restated Balance as at 30 June		5 168 375
General Expenses		
Balance Previously Reported		38 933 246
Correction of Error - Refer to comment 2		(245 287)
Restated Balance as at 30 June		38 687 959
Operating Grant Expenditure		
Balance Previously Reported		23 799 816
Correction of Error - Refer to comment 2		(408 285)
Restated Balance as at 30 June		23 391 531
Net Effect on Total Expenditure		(950 352)
Net Effect on Surplus for the Year		(950 352)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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42. Prior Period Adjustments (continued)

42.02 Statement of Financial Position

Payables from exchange transactions

Balance Previously Reported	(24 560 294)
Correction of Error - Refer to comment 2	1 036 182
Restated Balance as at 30 June	(23 524 112)

Taxes

Balance Previously Reported	3 351 067
Correction of Error - Refer to comment 2	(85 830)
Restated Balance as at 30 June	3 265 237

Net Effect on Assets and Liabilities	950 352
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Net Effect on Accumulated Surplus	950 352
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Comment 1

National Treasury have recently introduced legislation relating to the chart of accounts to be used by municipalities/municipal entities (referred to as the "Municipal Standard Chart of Accounts (mSCOA)"). This regulation was legislated on 22 April 2014 and is required to be adopted by all municipalities on 1 July 2017.

The following items were reclassified on the face of the Statement of Financial Performance to ensure compliance with both mSCOA Regulation and GRAP. These items does not constitute a prior year error in terms of GRAP 3 and will improve the reporting to the users of the financial statements.

Comment 2

Payables amounting to a value of R1 036 182 was duplicated in the financial records of the municipality. This resulted in an overstatement of expenditures amounting to R950 352 and VAT receivable being overstated with R85 830.

43. Capital Commitments

Commitments in respect of capital expenditure:

Infrastructure

Approved and Contracted for	37 976 431	37 988 400
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This expenditure will be financed from:

Government Grants	22 081 733	15 113 739
Own funding	15 894 698	22 874 661
	37 976 431	37 988 400

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand	2017	2016
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44. Financial Instruments Disclosure

In accordance with GRAP 104 the following financial instruments carried at amortised cost:

Categories of Financial Instruments

Financial Assets

Cash and Cash Equivalents	41 931 565	51 715 876
Receivables from Exchange Transactions	2 781 846	3 927 835
	44 713 411	55 643 711

Financial Liabilities

Long-term Liabilities	162 782	344 674
Payables from Exchange Transactions	26 291 650	23 524 114
Unspent Conditional Grants and Receipts	557 297	1 426 821
Current Portion of Long-term Liabilities	181 892	148 507
	27 193 621	25 444 116

45. Related parties

Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers and residents.

45.1 Related Party Loans

Since 1 July 2004 loans to Councillors and Senior management employees are not permitted.

45.2 Compensation of management personnel

The compensation of management personnel is set out in notes 25 and 26 to the financial statements.

45.3 Joe Gqabi Economic Development Agency (SoC) Ltd - (JoGEDA)

The Municipal Manager serves on the board of directors of JoGEDA. No transactions was entered into during the financial period.

45.4 Other related party transactions

The following purchases were made during the year Key Management Personnel and Officials have an interest:

Biks Business Solutions (Spouse of Mrs. Bikitsha - ELM Official)	-	19 366
Isiphile Trading (Niece of N Thuli)	370 737	-
Lonaphiko Trading (Spouse of Ms. Nomtha Nkani)	43 200	-
Mozi Auctioneers (Hlubikazi Mduzulwana Family)	4 788	-
Nosisana Trading Enterprise (Niece of official Z Thuli)	2 475	44 750
Thozama and AB Trading (Mother to Vuyokazi Nodikana)	1 950	-
Sandisile Business Enterprise (Spouse of Z Lusawana)	120 974	-
K2012048808 (SA) Pty (Ltd) (Relative of TV Sahlulo and B Sahlulo)	6 000	-
	550 124	64 116

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand

46. Financial Risk Management

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

Price Risk

The Municipality is not exposed to price risk.

Interest Rate Risk

As the Municipality has significant interest-bearing liabilities, the Municipality's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follow:

0.0% (2016 - 0.5%) Increase in interest rates	-	292 593
0.0% (2016 - 0.5%) Decrease in interest rates	-	(292 593)

Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the Municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 15 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2017 R	2016 R
Electricity	658 367	435 205
Refuse	-	6 649
Other	742 623	1 978 043

No trade and other receivables are pledged as security for financial liabilities.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand

46. Financial Risk Management (continued)

Due to the short term nature of trade and other receivables the carrying value disclosed in note 15 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate where applicable.

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the Municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables are individually evaluated annually at Statement of Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

Receivables from Exchange Transactions	2 781 846	3 544 138
Cash and Cash Equivalents	41 927 413	51 713 874

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 Year	Between 1 and 5 Years	Over 5 Years	Total
Long Term liabilities - Finance Lease Liability	235 954	176 965	-	412 919
Payables from Exchange Transactions	26 291 650	-	-	26 291 650
Unspent conditional government grants and receipts	557 297	-	-	557 297
Total	27 084 901	176 965	-	27 261 866
At 30 June 2016	Less than 1 Year	Between 1 and 5 Years	Over 5 Years	Total
Long Term liabilities - Finance Lease Liability	235 954	412 919	-	648 873
Payables from Exchange Transactions	23 524 114	-	-	23 524 114
Unspent conditional government grants and receipts	1 426 821	-	-	1 426 821
Total	25 186 889	412 919	-	25 599 808

47. Events after the reporting date

The Municipality has no events after reporting date during the financial year ended 2016/2017.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand

48. In-kind donations and assistance

No in-kind donations and assistance were received by the Municipality during the 2016/2017 financial year.

49. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

Taxes	6 689 576	3 265 237
Receivables from Non-exchange Transactions	3 458 399	3 264 429
Rates	3 458 399	3 264 429
Traffic Fines	-	-
Total Statutory Receivables	10 147 975	6 529 666

50. Private Public Partnerships

Council entered into a Private Public Partnership (PPP) with Interwaste (Pty) Ltd ("The Private Company") on 30 May 2013.

In terms of the PPP the Private Company will be responsible for the maintenance and operation of the landfill sites in Ugie and Maclear, as well as Mt Fletcher from 2015/16. The Municipality is still responsible for the collection of refuse at the consumers' premises.

The duration of the contract is 10 years and future estimated payments (including VAT) are set out below:

Year	Amount payable
2016/17	5 080 728
2017/18	5 385 566
2018/19	5 708 715
2019/20	6 051 221
2020/21	6 414 297
2021/22	6 679 164
2022/23	7 207 122

Refer to note 33 for expenditure incurred during the current and previous financial year.

In terms of the PPP, the Private Company is required to provide their own movable assets in order to fulfil their function. The PPP does make provision for the transfer of the movable assets to the Municipality at the end of the contract. The Private Company is not required to build any new assets, but only to maintain the current assets belonging to the Municipality.

The performance of the Private Company is reviewed on an annual basis. The contract may be terminated based on non-performance. There is also no renewal clause after the 10 years.

51. Explanatory Notes to the Statement of Comparison of Budget and Actual

Original Budget vs Final Budget

Statement of Financial Position

Total current assets were decreased to consider the revised cash flow forecast.

Current liabilities were decreased to allocate the non-current portion of provisions to non-current liabilities. Borrowings were increased to consider new leases entered.

Non-current liabilities were increased to account for provisions previously omitted.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand

51. Explanatory Notes to the Statement of Comparison of Budget and Actual (continued)

Statement of Financial Performance - Revenue

Transfers recognised was increased to be aligned with newly anticipated grant receipts.

Property rates was increased to align the budget with the increases in rate charges.

Plant income was lower than budgeted. This is due to the Department of Public Works decreasing their allocation to the municipality during the year due to financial constraints.

In 2012, the Municipality submitted a budget to Treasury which contained a deficit. The reason for the deficit is that the Municipality budgeted for expenditure which would have been funded from own roll-over funds of the prior year. Treasury instructed the Municipality that they were not allowed to budget for a deficit and subsequently had to increase own revenue to accommodate for the roll-over funds. This practice resulted in the variance of Other Income.

Licences and Permits were increased to align the budget with the anticipated receipts.

Statement of Financial Performance - Expenditure

Repairs and maintenance was increased to align the anticipated expenditures with new project plans during the year.

Remuneration of Councillors was increased during the year in anticipation of additional expenses because of the 2016 election.

Due to prior period under budgeting of debt impairment, a more prudent approach was adopted during the budgeting calculations of debt impairments.

Employee related costs were reduced to take into consideration vacant positions that arose during the financial year.

Collection costs were increased to align the budget with anticipated expenditures

The operating grant expenditures was increased to account for additional allocations anticipated during the year.

Cash Flow Statement

The decrease in cash from operating activities is due to the decrease in anticipated cash flow.

The anticipated increase in capital grants resulted in an increase in the net cash flow from investing activities

Actual Amount vs Final Budget

Statement of Financial Position

Total current assets were decreased to consider the revised cash flow forecast.

The non-current liabilities are more than budgeted for, since the non-current portion of provisions were omitted in the budget.

Statement of Financial Performance - Revenue

Plant income was lower than budgeted. This is due to the Department of Public Works decreasing their allocation to the municipality during the year due to financial constraints.

Interest Earned was more than budgeted for. Expenses that was anticipated to be incurred early in the financial year was delays, resulting in funds being held in investment account for a longer period. This increased the interest earned to more than what was budgeted for.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Notes to the Annual Financial Statements For The Year Ended

Figures in Rand

51. Explanatory Notes to the Statement of Comparison of Budget and Actual (continued)

Statement of Financial Performance - Expenditure

Employee related costs were less than budgeted for due to the following events:

- The assistant SCM position was vacant for the first 5 months;
- Due to prior period under budgeting of employee related costs, which led to unauthorised expenditure, a more prudent approach was adopted during the budgeting calculations of employee related costs.

After the elections held during 2016, an internal delay caused the late appointment of the Mayor, Chief WHIP and Council Heads. During this period the entire council was remunerated as a general council member. This resulted in the remuneration of Councillors, including all other allowances and benefits, to be less than budgeted for.

Repairs and maintenance was less than budgeted for due to the following unforeseen events:

- A stores conversion project was delayed, resulting in less expenditures than anticipated;
- A planned cemetery project did not occur;
- A roads maintenance project was grossly reduced due to financial constraints experienced by the Department of Public Works; and
- Improved asset management resulted in a significant reduction of repair costs for plant and machineries.

Finance charges were more than budgeted for due to new leases taken on late in the previous year.

Bulk purchases were less than budgeted for due to NERSA guideline being used which resulted in bulk purchases being over budgeted.

The operating grant expenditures were less than budgeted for. An amount of R4 000 000 was allocated to the municipality in regard to NER, but the funds were never received. The municipality was unable to incur expenditures until the funds were received. The Department of Public Works allocated the municipality a budget for road related projects, but was unable to provide the municipality with the budgeted funds.

Other expenditure was less than budget as not all cash surplus from the previous year was utilised.

Cash Flow Statement

Cash from operating activities was more than budgeted for as not all roll-over expenditure fund expenditure incurred.

Cash from investing activities was less than budgeted for as not all capital projects were implemented.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Appendices

APPENDIX A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

	Rate	Loan Number	Maturity Date	Balance at 30 June 2016 R	Received during the period R	Redeemed during the Period R	Balance at 30 June 2017 R
FINANCE LEASE LIABILITIES							
Fujitsu FI 6670	20.45 %	ELM-4/038/2015-2016	31/03/2019	144 737	-	(43 583)	101 154
Xerox Work centre 7225	20.45 %	ELM-4/038/2015-2016	31/03/2019	47 896	-	(14 423)	33 473
Xerox Work centre 7225	20.45 %	ELM-4/038/2015-2016	31/03/2019	47 896	-	(14 423)	33 473
Xerox Work centre 7225	20.45 %	ELM-4/038/2015-2016	31/03/2019	47 896	-	(14 423)	33 473
Xerox D110	20.45 %	ELM-4/038/2015-2016	31/03/2019	201 405	-	(60 647)	140 758
Xerox Workcentre 3210	20.45 %	ELM-4/038/2015-2016	31/03/2019	3 350	-	(1 009)	2 341
Total External Loans				493 180	-	(148 508)	344 672

* See Note 42

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements For The Year Ended for the year ended 30 June 2017

Appendices

APPENDIX B - Unaudited

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2017

	Balance 1 July 2016	Correction of Error Restatement 2016	Restated Balance 1 July 2016	Contributions during the year	Operating Expenditure Transferred to Revenue	Capital Expenditure Transferred to Revenue	Balance 30 June 2017	Unspent 30 June 2017 (Creditor)	Unpaid 30 June 2017 (Debtor)
	R	R	R	R	R	R	R	R	R
National Government Grants									
Equitable Share	-	-	-	129 070 000	(129 070 000)	-	-	-	-
Municipal Infrastructure Grant	-	-	-	42 250 000	(1 862 500)	(40 387 500)	-	-	-
INEP	-	-	-	17 500 000	(17 500 000)	-	-	-	-
Financial Management Grant	-	-	-	1 625 000	(1 625 000)	-	-	-	-
EPWP	-	-	-	1 548 000	(1 548 000)	-	-	-	-
Other Grants	-	-	-	-	-	-	-	-	-
Total	-	-	-	191 993 000	(151 605 500)	(40 387 500)	-	-	-
Provincial Government Grants									
Library Fund	426 821	-	426 821	750 000	(620 884)	-	555 937	555 937	-
Total	426 821	-	426 821	750 000	(620 884)	-	555 937	555 937	-
Other Grant Providers									
Voter Station	1 000 000	-	1 000 000	-	(998 640)	-	1 360	1 360	-
Total	1 000 000	-	1 000 000	-	(998 640)	-	1 360	1 360	-
ALL SPHERES GOVERNMENT	1 426 821	-	1 426 821	192 743 000	(153 225 024)	(40 387 500)	557 297	557 297	-

* See Note 42